

**RAILROAD COMMISSION OF TEXAS
HEARINGS SECTION**

**OIL AND GAS DOCKET
NO. 03-0280358**

**IN THE SOUR LAKE, E. (9920) FIELD,
HARDIN COUNTY, TEXAS**

**FINAL ORDER
ADOPTING FIELD RULES FOR THE
SOUR LAKE, E. (9920) FIELD
HARDIN COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on February 28, 2013, the presiding examiners have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the following Field Rules shall be adopted for the Sour Lake, E. (9920) Field, Hardin County, Texas:

RULE 1: The entire correlative interval from 9,960 feet to 9,984 feet as shown on the log of the Penwell Energy, Inc. - Vastar Fee Lease, Well No. 1 (API No. 42-199-32721), Section 411, B. Mancha Survey, A-573, Hardin County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sour Lake, E. (9920) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than **THREE HUNDRED THIRTY (330)** feet to any property line, lease line or subdivision line and no well shall be drilled nearer than **SIX HUNDRED SIXTY (660)** feet to any applied for, permitted or completed vertical well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit in either field. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3a: The acreage assigned to the individual gas well shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of FORTY FOUR (44) acres may be assigned. Each proration unit containing less than FORTY (40) acres shall be a fractional proration unit. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

An operator, at his option, shall be permitted to form optional drilling units of TWENTY (20) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

RULE 3b: The acreage assigned to the individual oil well shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will be accepted. Additional acreage may be assigned to each horizontal drainhole well in accordance with Statewide Rule 86.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

An operator, at his option, shall be permitted to form optional drilling units of TWENTY (20) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. For oil or gas wells, operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units. There is no maximum diagonal limitation in this field.

RULE 4a: The gas field shall be classified as associated. The daily allowable production of gas from individual wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all proratable wells producing from the same reservoir.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable of 172 barrels of oil per day. The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for a vertical well for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

It is further **ORDERED** by the Railroad Commission of Texas that the application of Penwell Energy, Inc. for suspension of the allocation formula in the Sour Lake, E. (9920) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Sour Lake, E. (9920) Field drops below 100% of deliverability. If the market demand for gas in the Sour Lake, E. (9920) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated.

Done this 9th day of April, 2013.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested
Master Order dated April 9, 2013)**